

Message Text

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INFO OCT-01 AF-05 ISO-00 SSO-00 CCO-00 (ADP) R

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APPROVED BY/ S/S-SRGAMMON

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TO AMEMBASSY NAIROBI PRIORITY

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TOECO 37

FOLLOWING REPEAT STATE 189220 ACTION BRIDGETOWN GEORGETOWN
KINGSTON PORT OF SPAIN INFO LONDON EC BRUSSELS GENEVA
22 SEPT

QUOTELIMITED OFFICIAL USE STATE 189220

GENEVA FOR SUGAR DELEGATION

E.O. 11652: N/A

TAGS: ETRD, EAGR, XL

SUBJECT: SUGAR: DEMARCHE BY COMMONWEALTH AMBASSADORS
PROTESTING PROPOSED REDUCTION WEST INDIES SUGAR QUOTA FOR
CY 74.

REFERENCE: STATE 187335

1. AMBASSADORS MCCOMIE (BARBADOS), FLETCHER (JAMAICA),
TALBOT (GUYANA) AND MCINTYRE (TRINIDAD/TOBAGO) CALLED ON
ASSISTANT SECRETARY KUBISCH AT 6:00 P.M. SEPTEMBER 20, AT
THEIR REQUEST. MCCOMIE, ACTING AS SPOKESMAN FOR GROUP,
INFORMED KUBISCH THAT GOVERNMENTS HAD BEEN INFORMED BY THE
WASHINGTON LEGAL COUNSEL OF THE WEST INDIES SUGAR ASSOCIA-
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TION THAT USDA WOULD BE ANNOUNCING SUGAR QUOTA FOR

WEST INDIES OCT. 1, WHICH WOULD SET 26,000 TONS VICE 185,000 TONS AS IN PAST YEARS. NEW QUOTA IS BEING ESTABLISHED DUE TO SHIPPING SHORTFALL INTO US MARKET DURING CY'S 72 AND 73.

2. MCCOMIE SAID THAT DUE TO CLIMATIC CONDITIONS IN PRODUCING AREAS THE WEST INDIES SUGAR ASSOCIATION HAD NOT BEEN ABLE TO SUPPLY BOTH ITS ESTABLISHED QUOTA UNDER THE COMMONWEALTH SUGAR AGREEMENT AND ITS US QUOTA. IN FACE OF SHORTAGE, WISA HAD DECIDED TO GIVE FULFILLMENT COMMONWEALTH QUOTA FIRST PRIORITY. THIS DECISION HAD BEEN TAKEN FOR THES PRINCIPAL REASONS: COMMONWEALTH CARIBBEAN'S DESIRE TO ENTER

INTO NEGOTIATIONS WITH EEC WITH QUOTA FILLED AND THEIR FEELING THAT USG WOULD BE 'UNDERSTANDING' AND OVERLOOK SHORTFALL THIS YEAR AS IT HAD WITH 1972 SHORTFALL. HE POINTED OUT THAT DECISION HAD ACTUALLY BEEN FINANCIALLY DISADVANTAGEOUS TO WISA DUE TO THE FACT THAT PRICE PAID UNDER TERMS OF COMMONWEALTH SUGAR AGREEMENT LESS THAN US MARKET PRICE. (HE CITED THIS AS PROOF THAT SHIPMENT ELSEWHERE RATHER THAN TO US MARKET WAS NOT MOTIVATED BY DESIRE TO 'PROFITEER' WHICH WAS, IN THEIR VIEW, BASIS FOR PROVISION IN LAW FOR QUOTA REDUCTION IF SUPPLIER SHIPPED TO ANOTHER MARKET.)

3. CONTEMPLATED USDA ACTION SETTING QUOTA FOR CY 74 WHICH IS TINY FRACTION OF FORMER QUOTA IS MOST ALARMING TO GOVERNMENTS CONCERNED, PARTICULARLY THE EFFECT THIS MAY HAVE IN TERMS OF THE FORTHCOMING INTERNATIONAL SUGAR AGREEMENT, AS WELL AS ITS POSSIBLE EFFECT ON US SUGAR LEGISLATION DUE FOR DRAFTING NEXT YEAR.

4. MCCOMIE ASKED THAT PROPOSED USDA ACTION BE RECONSIDERED KEEPING IN MIND THAT WEST INDIES DESERVED SPECIAL CONSIDERATION IN VIEW OF THE IMPORTANCE OF DEVELOPING STABLE SUPPLIERS IN WESTERN HEMISPHERE. MEMBER NATIONS WERE AWARE THAT ACTION WAS BEING TAKEN UNDER PROVISION OF THE LAW, BUT WERE HOPEFUL, HOWEVER, THAT WAY COULD BE LIMITED OFFICIAL USE

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FOUND TO MAKE AN EXCEPTION. MCCOMIE REITERATED THAT DESPITE 55,000 TON SHORTFALL IN CY 72, THIS HAD BEEN OVERLOOKED AND NO REDUCTION IN 1973 QUOTA HAD BEEN MADE.

5. OTHER AMBASSADORS THEN PROCEEDED TO SECOND WHAT MCCOMIE HAD SAID MAKING THE POINTS THAT: NATIONS OF THE REGION WERE EMBARKED ON AN IMPORTANT AND COSTLY PROGRAM OF MODERNIZING SUGAR INDUSTRY AND THAT THIS EFFORT WOULD BE

HAMPERED BY USDA ANNOUNCEMENT: SUGAR WAS SINGLE, MOST IMPORTANT LABOR INTENSIVE INDUSTRY IN A REGION THAT SUFFERED FROM HIGH UNEMPLOYMENT, THUS THE ECONOMIC CONSEQUENCES OF A REDUCED QUOTA COULD BE SWEEPING: SUGAR PRODUCTION HEAVILY INVOLVED IN THE POLITICS OF CERTAIN OF THE PRODUCING COUNTRIES (NOTABLY GUYANA AND TRINIDAD/TOBAGO) AND A REDUCED QUOTA COULD HAVE DISRUPTIVE POLITICAL CONSEQUENCES.

6. AFTER HEARING ARGUMENTS SET FORTH, KUBISCH ASSURED THE AMBASSADORS THAT USG VERY CONCERNED ABOUT THE CARIBBEAN AND SYMPATHETIC TO ITS PROBLEMS. HE STATED FURTHER THAT USG HAD NO DESIRE TO TAKE ANY ACTION WHICH WAS LIKELY

PRODUCE ANY IMPORTANT DISLOCATIONS. NEVERTHELESS, IT WAS A FACT THAT USDA'S PROPOSED ACTION WAS NON-DISCRIMINATORY AND REQUIRED BY LAW AND WAS CERTAINLY NOT MEANT TO BE PUNITIVE TO THE REGION OR THE INDIVIDUAL COUNTRIES INVOLVED. HE MADE POINT THAT USDA'S FAILURE TO READJUST QUOTA FOR 1973 IN VIEW OF 1972 SHORTFALL WAS AN UNFORTUNATE OVERSIGHT. HE SUGGESTED THAT THE ACTUAL QUOTA FOR CY 74 COULD BE EXPANDED IF BETWEEN NOW AND THE END OF THE YEAR THE WEST INDIES SUGAR ASSOCIATION WAS ABLE TO SHIP A GREATER TONNAGE INTO THE US MARKET. HE ALSO POINTED OUT THAT IT WAS LIKELY THAT GLOBAL DEMAND FOR SUGAR WOULD CONTINUE FIRM FOR THE NEXT YEAR AND THUS THE ACTUAL ECONOMIC CONSEQUENCES OF A LOWERED QUOTA WOULD NOT NECESSARILY BE HARMFUL. IN CONCLUSION, KUBISCH PROMISED TO EXAMINE THE SITUATION IN LIGHT OF THEIR DEMARCHE AND DISCUSS IT FURTHER WITH OTHER APPROPRIATE OFFICES WITHIN THE USG. HE PROMISED TO BE BACK IN TOUCH WITH THE AMBASSADORS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR
Control Number: n/a
Copy: SINGLE
Draft Date: 24 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE189220
Document Source: CORE
Document Unique ID: 00
Drafter: S:PHBLAKEBURN
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730916/aaaaaltx.tel
Line Count: 156
Locator: TEXT ON-LINE
Office: ORIGIN SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 187335
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 15 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Jan-2002 by boyleja>; APPROVED <04 MAR 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUGAR: DEMARCHE BY COMMONWEALTH AMBASSADORS PROTESTING PROPOSED REDUCTION WEST INDIES SUGAR QUOTA FOR
TAGS: ETRD, EAGR, XL
To: BRIDGETOWN MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005